Calgary

City Auditor's Office

Cash Flow Management Audit

April 6, 2018

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Executive Summary

The mandate of The City's Treasury division includes "to generate investment income while preserving capital and provide liquidity for the cash flow requirements of all City funds." Forecasting daily City cash requirements is a critical input to this mandate, particularly given the significant variances in daily inflows and outflows of cash that the City experiences. The City's 2017 Annual Investment Report noted that as at 31st December 2017, The City's working capital and short term investments were $1.3B, representing 31% of all City investments. The daily average in the consolidated City bank accounts during December 2017 was $85M. Treasury develops a daily cash flow forecast, and utilizes the outputs from this forecast for liquidity management and investment decision making purposes.

The objective of this audit was to assess the effectiveness of The City's current cash flow forecast process by assessing the design and operation of controls and key sub-processes that mitigate the following risks:

- The cash flow forecast cannot be completed on a timely basis;
- Data inputs used to create the cash flow forecast are inaccurate or incomplete; and
- Data outputs from the cash flow forecast are inaccurate due to errors in analysis.

The audit approach involved selecting a sample of 10 daily cash flow forecasts (during the period November 2016 – October 2017), and testing the key controls and activities identified in the process walk through to assess the design and operational effectiveness. We also compared current practice to Government Finance Officers Association best practice recommendations. We concluded that Treasury's current cash flow forecasting process is effective in design and operation in mitigating the risks identified (i.e. timeliness, and accuracy) and supports The City's current informal cash flow management strategy.

Three of our four recommendations were raised to provide additional reliability and rigour to the existing process: expanding Treasury's Business Continuity Plan to include the cash flow forecasting workaround should the IT system used in forecasting be unavailable; updating documented requirements for Business Unit notification to Treasury of anticipated cash flow outgoings; and formalizing the follow up of significant variances between forecast and actual cash flow.

Treasury currently operates a cash flow management strategy which takes advantage of favourable bank interest rates received by maintaining high cash balances (an average balance of $25m and above) in The City's bank accounts. Based on the daily cash flow forecasting activity, additional dollars are invested, while any forecast shortfalls are covered through cashing in short term investments, or through borrowing through the issuance of commercial paper. This strategy has not been documented or widely communicated. Although this strategy has been acknowledged by Finance, we also raised a fourth recommendation that Treasury increase transparency through inclusion of the strategy as part of current quarterly and annual investment reporting.

The current favourable bank interest rate has mitigated the inherent risk of low investment income from un-invested cash. Looking forward, The City may face increased pressure on cash flow management, due to changes in bank interest rate combined with greater demands on cash outflow as The City invests in significant capital projects such as the Green Line LRT with associated cash

requirements. In this case, the effective operation of robust cash flow management controls would become more critical, particularly regarding any variances between forecast and actual cash flow. Finance have agreed to all four recommendations and have set action plan implementation dates no later than June 30, 2019. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

1.0 Background

The Cash Flow Management Audit is included in the approved 2017/2018 Annual Audit Plan under the heading Treasury Management audit. The audit was included in the Annual Audit Plan to further support Administration's accountability to effectively mitigate risks which can negatively impact the successful achievement of business objectives and related Council priorities.

The mandate of The City's Treasury division includes "to generate investment income while preserving capital and provide liquidity for the cash flow requirements of all City funds." In support of this mandate, a daily cash flow forecast is completed by the Securities Accountant in the Treasury division.

The cash flow forecast is completed within the treasury management application. Inputs include information on likely value and timings of income received/disbursements from City Business Units, as well as information from the bank on current cash balances in The City's bank accounts. The cash flow forecast looks ahead up to a year from date of completion, with greater certainty around cash incoming and outgoing over the next 2 – 5 business days.

The result from this forecast is utilized by a Treasury Portfolio Manager for the purposes of investment decision making. If future cash is required to meet expected upcoming disbursements, options for the Portfolio Manager include issuing commercial paper or cashing in short or long term investments. If available cash is greater than upcoming disbursements, there is the option to make additional short or long term investments with the available cash. The cash flow forecast is the tool that assists Treasury in keeping the appropriate balance between obtaining reasonable return on invested cash and maintaining sufficient cash liquidity for operational needs.

The City's 2017 Annual Investment Report noted that as at December 31, 2017, The City's working capital and short term investments were $1.3B, representing 31% of total City investments, within the Investment Policy range of 30 – 50%. The long term target for working capital and short term investments is 35% of City investments. The daily average in the consolidated City bank accounts during December 2017 was $85M.

2.0 Audit Objectives, Scope and Approach

2.1 Audit Objective

The objective of this audit was to assess the effectiveness of The City's cash flow forecast process by assessing the design and operation of controls and key sub-processes that mitigate the following risks:

- The cash flow forecast cannot be completed on a timely basis;
- Data inputs used to create the cash flow forecast are inaccurate or incomplete; and
- Data outputs from the cash flow forecast are inaccurate due to errors in analysis.

2.2 Audit Scope

The scope of the audit was Treasury's daily cash flow forecast process during the time period November 1, 2016 – October 31, 2017. Investment decisions made following the forecasting process were not included in the scope of the audit. In addition, as this audit was an operational audit of Treasury processes, we did not review underlying IT controls that supported system reliability.

2.3 Audit Approach

During the planning phase of the audit, we discussed the completion of daily cash flow forecast process with Treasury's Securities Accountant and other Treasury staff, and reviewed relevant Treasury documents including examples of process inputs and outputs. From this information, a simplified process map was created (Appendix A). This process map was then used to create a risk matrix that maps controls to identified risks. The impact of the identified risks is on the quality of investment decisions made utilizing the cash flow forecast, and the associated financial and reputational impact to The City.

The audit approach involved selecting a sample of 10 daily cash flow forecasts, and testing the key controls and activities identified in the process walk through to assess the design and operational effectiveness. We also compared current City practices to best practice recommendations outlined by the Government Finance Officers Association (GFOA).

3.0 Results

Treasury's current cash flow forecasting process is designed effectively to mitigate the risks identified specific to timeliness, and accuracy and supports The City's current informal cash flow management strategy. We confirmed operational effectiveness where documentation was available. The current process meets the majority of best practice identified by the GFOA (Appendix B). We raised three recommendations to provide additional reliability and rigour to the existing process.

The City is currently able to utilize favorable interest rates offered by its bank by keeping an average daily balance of greater than $25M in The City's bank accounts. We also recommended that Treasury formalizes the cash flow management strategy by including current strategy within investment reporting on a quarterly and annual basis to provide additional visibility of this approach.

3.1 Current Cash Flow Forecast Process

To evaluate the current cash flow forecast process, we selected ten dates spread across the period 1 November 2016 – 31 October 2017, and assessed the operational effectiveness of key activities and controls that supported the timely and accurate daily creation and review of the cash flow forecast. We also compared GFOA best practice (Appendix B) to current City practice.

3.1.1 Timeliness

The design and operation of controls and key activities effectively mitigates the risk that the cash flow forecast cannot be completed on a timely basis. Completion of the daily cash flow forecast enables The City to ensure that funds are available to meet cash outgoings, and to maximize interest rates available to funds held in bank accounts while investing any excess funds held in the capital market.

Cash flow forecast summaries were available for all ten sample dates selected, supporting assurance that the daily cash flow forecast is being conducted as designed. GFOA best practice (Appendix B) recommends that: "Forecasts should be updated on a regular basis, for example, monthly. The frequency of such updates is determined by the volatility of revenues and expenditures. Daily monitoring and recording of actual revenues and expenditures by major categories can greatly enhance the organization's ability to prepare timely updates to the cash flow forecast." The City's daily cash forecasting is meeting this recommended practice.

The application used to create the daily cash flow forecast is cloud based, which facilitates off-site access for the Securities Accountant should a business continuity event interrupt access to the system from City facilities. In the event that the application itself is inaccessible, the previous daily cash flow forecast is utilized along with current bank data to create the new current daily cash flow. Copies of the previous daily cash flow are retained in the short term for business continuity purposes, and during the span of the audit we were able to review examples from three separate months in 2017 to support assurance that this activity is generally operating as expected. Treasury's Business Continuity Plan does not currently include this workaround to enable the completion of a forecast, and a recommendation was raised to ensure the capture of this business continuity process (Recommendation 2).

In the event that the Securities Accountant is not available to complete the daily cash flow forecast (through planned or unplanned absence) a back-up resource has been designated, and written guidance is available to support the completion of the cash flow forecast. Two of the sample of ten dates selected for review occurred when the Securities Accountant was unavailable, and key activities were performed as expected for those two dates.

3.1.2 Accuracy of Data Inputs

Treasury relies on accurate, timely and complete information provided by other teams, individuals and Business Units across the City to produce an accurate cash flow forecast. Based on our review of selected dates the design of Treasury's activities mitigate the risk of inaccurate data inputs to the forecasting process. We confirmed operation of activities where documentation was available. GFOA best practice recommendations #1, #3, #4, and #5 relate to data inputs to the cash flow forecast (see Appendix B), and current City practices meet these recommendations.

Cash inflows and outflows at The City are significant in dollar value, and do not necessarily follow a set pattern from day to day or week to week. Cash flows are comprised of inflows and outflows that follow an anticipated structure, as well as inflows and outflows which are irregular in timing and/or value.

Certain City cash flows follow an anticipated structure with amounts and dates following a set pattern. Business Units are expected by Treasury to provide Treasury with timely notification to allow this information to be reflected in the cash flow forecast: Treasury expect that Tax would provide expected tax inflow information in January and June, and that other pre-determined cash flows are communicated on a quarterly basis. Where structured cash inflows and outflows formed part of our sample of 10 cash flow forecasts selected, we reviewed supporting documentation and were able to confirm (where notification was retained) timely notification was received by Treasury, and notification information was accurately and completely included into the cash flow forecast.

Business Units are expected to communicate other (i.e. irregular) cash inflows or outflows to Treasury 2 to 3 days in advance. Payment run information is generated by Accounts Payable twice a week and shared with Treasury to assist in identifying expected outflows. Accounts Payable are expected to notify Treasury of large (greater than $500,000 CAD, or any amount of US or other foreign currency) upcoming cheques and wire transfers. We identified (Recommendation 3) that Accounts Payable's documented procedures should be updated to reflect Treasury's expectations more accurately. Treasury does not have a business need to retain notification of information. In addition, Treasury's application automatically incorporates information regarding payments into the forecast based on any known clearing history of customer, and does not retain "point in time" information at the close of each day. We were therefore unable to verify the operation of the notification process for irregular cash flows.

Bank information (inflows and outflows) are received by Treasury's application directly from the bank. In addition, the bank will notify Treasury daily via email of the previous day's bank balance which provides assurance over the completeness and accuracy of bank information included in the cash flow forecast.

3.1.3 Accuracy of Data Outputs

The output of the daily cash flow forecast is utilized by a Treasury Portfolio Manager to make investment decisions. In reviewing the cash flow forecast, the Portfolio Manager considers days/periods where excess cash (over $25M) is expected or where cash shortfalls (not enough cash to meet planned obligations) is expected and makes investment/divestment decisions to either maximize returns for The City or to ensure that cash is available to meet The City's obligation while minimizing cost of funds. The output of the daily cash flow forecast must be accurate to enable the Portfolio Manager to make appropriate investment decisions.

To mitigate the risk of an inaccurate cash flow forecast output (for example due to errors in the forecasting process), a cash flow reconciliation is completed daily, and two further informal reviews are undertaken. These informal controls are effective in design to support The City's current cash flow management strategy, as due to favourable interest rates, it is not beneficial to The City to have cash held at the bank close to zero.

After the bank information is processed by the Treasury application overnight, the application generates a cash flow forecast reconciliation report, which compares actual cash flow amounts from the bank information to forecast amounts. The Securities Accountant reviews this report on a daily basis. Reconciliation reports were available for all ten sample dates selected. We were not able to compare the reconciliation reports back to original supporting data, as Treasury's application does not retain point in time information. The review completed is informal in that significant variances are verbally followed up by the Securities Accountant with respective Business Units, but not documented, and the level of dollar value that constitutes a significant variance has not been defined as suggested in GFOA best practice (Recommendation 4). As shown in the table below, variances between forecast and actual closing balances exceeded $1M on seven of the ten dates sampled. The Securities Accountant also discusses variances and any responses received from Business Units with the Portfolio Manager.

Cash Flow Balances ($'000)			
Date	**Actual Closing Balance**	**Forecast Closing Balance**	**Variance**
December 15, 2016	59,485	57,523	1,962
December 28, 2016	185,803	113,653	72,150
December 30, 2016	132,324	135,681	(3,357)
January 3, 2017	193,801	191,176	2,625
February 6, 2017	23,998	23,646	352
March 15, 2017	28,678	26,373	2,305
March 31, 2017	58,833	57,997	836
May 12, 2017	8,456	7,237	1,220

Cash Flow Balances ($'000)			
Date	**Actual Closing Balance**	**Forecast Closing Balance**	**Variance**
June 30, 2017	79,170	73,198	5,971
August 3, 2017	241,463	241,532	(69)

The Portfolio Manager logs into the Treasury application every morning and reviews the cash flow forecast in order to make investment decisions. In doing so, the Portfolio Manager conducts an informal review of the forecast, and follows up with the Securities Accountant if required.

During 2016, the Securities Accountant commenced a daily informal reconciliation of the cash bank balance. The Securities Accountant compares the bank balance notified by the bank direct to Treasury to the bank balance as stated in Treasury's application. The Securities Accountant also compares calculated interest showing in Treasury's application with the actual interest income transferred by the bank. The Securities Accountant follows up any discrepancies with the bank. As both the review by the Portfolio Manager and the bank reconciliation completed by the Securities Accountant are undocumented, we could not test the operation of these controls.

3.2 Cash Flow Management Strategy

Treasury currently operates a cash flow management strategy which utilizes current favorable bank interest rates by keeping an average daily balance of $25M and above in The City's bank accounts. Based on the daily cash flow forecasting activity, additional dollars are invested by the Portfolio Manager, while any forecasted shortfalls are covered through cashing in short term investments, or through the issuance of commercial paper. We recommend Treasury formalizes the cash flow management strategy by including current strategy within investment reporting on a quarterly and annual basis to provide additional visibility of this approach (Recommendation 1).

The current favorable bank interest rate assists The City in managing the inherent risk of cash flow management (the risk that excess cash is held in bank accounts rather than in short or medium term investments and does not generate maximum investment income). In organizations or environments where bank interest rates are less favorable, common practice is to keep cash on hand in bank accounts at a minimum level to meet (and not exceed) expected outflows, and to invest all additional cash in short, medium or long term investments. Organizations employ manual or automatic processes to clear cash from bank accounts on a daily basis. Such strategies require rigorous cash flow management to ensure that sufficient funds are available to meet varying daily cash out-flows while maintaining bank balances as low as possible.

Looking forward, The City may face increased pressure on cash flow management, if bank interest rates become less favorable (which could mean that The City would want to hold lower levels of cash held in bank accounts day to day), combined with greater demands on cash outflow as The City invests in significant capital projects such as the Green Line LRT with associated cash requirements. Future capital projects may also impact The City's ability to incur additional debt meaning that issuing commercial paper when cash is not available for payments may be less attractive as an option.

Increased pressure on cash flow management increases the risk that The City has insufficient cash to meet daily requirements, or un-invested cash. Such a change would escalate the need for robust cash flow management controls to support management of day to day cash levels held in bank accounts. The controls and activities described in Section 3.1 provide Treasury with the opportunity and mechanism to further support cash flow management in this situation – for example lowering the dollar value where transactions must be notified to Treasury. The recommendations raised in Section 4 also further support a robust cash flow management process in this situation, for example by providing Treasury with the opportunity to lower the threshold of variances deemed significant (Recommendation 4).

We would like to thank staff from Finance for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Cash Flow Management Strategy

Treasury's cash flow management strategy is not documented and formalized. Treasury is currently following an informal cash flow management strategy of keeping a monthly average cash balance of $25 million or more in City bank accounts to receive a top tier interest rate. This cash balance is an investment decision that is a function of the current interest rate environment.

Daily, cash flow information is utilized by Treasury portfolio managers to prevent overdraft situations, maintain liquidity, and to support working capital/short term investment decisions. Cash flow is discussed informally at weekly investment team meetings. Treasury produce formal reports (to the Investment Advisory Committee) quarterly and (to Audit Committee) annually regarding City investments. However, these formal reports focus on investments (including short term and working capital) and do not include an articulated cash flow management strategy which underlies investment decisions.

Documenting and communicating cash flow management strategy as part of investment reporting provides additional visibility to senior management and to Council in their oversight role of this key tool supporting investment decision making.

<u>Recommendation 1</u>
Manager, Treasury, to expand quarterly and annual investment reporting to document and communicate current cash flow management strategy.

<u>Management Response</u>

Agreed.

Action Plan	Responsibility
Treasury will increase communication of the Cash Flow Management strategy by adding a paragraph to the quarterly and annual Investment Report outlining this strategy.	<u>Lead</u>: Treasury Operation & Risk Lead <u>Commitment Date:</u> December 31, 2018

4.2 Business Continuity Plan

Treasury's draft Business Continuity Plan (April 2017 revision) does not include cash flow management, although completion of a daily cash flow forecast is required by The City to support investment decision making.

The current draft Business Continuity Plan includes the application utilized for cash flow management (as well as investments), as a critical IT resource, with a recovery time objective of 24 hours. The Securities Accountant has developed a workaround to be able to complete a daily cash flow forecast should the application be unavailable. The workaround is not currently included as an associated procedure in section 1.4 of the draft Business Continuity Plan.

Documenting business continuity procedures and collating into a business continuity plan provides additional assurance that, in the event of a business continuity interruption, staff are aware of and can conduct back up procedures to minimize the effect of the interruption on The City.

Recommendation 2
Manager, Treasury, to include the workaround cash flow forecasting procedure as an associated procedure in the finalized Treasury Business Continuity Plan.

Management Response

Agreed.

Action Plan	Responsibility
Treasury will obtain and review the current Business Continuity Plan document. Treasury will update the document to include the cash flow forecasting work around procedure in the event that the Treasury Management System is not accessible. Treasury will obtain sign off on the updated document by the Finance Manager, Corporate Financial Reporting.	Lead: Treasury Operation & Risk Lead Support: Corporate Financial Reporting Commitment Date: October 31, 2018

4.3 Notification of Upcoming Payments

Expectation regarding notification of outgoing payments from Business Units to Treasury are unclear.

Corporate Accounts Payable Procedures (issued April 2015, expected revision date April 2018) on the City's intranet states that (section 5.2.4 e.) "To ensure cash flow requirements are met, Accounts Payable must notify Treasury upon receipt of an express cheque request in excess of $500,000 dollars or for any amount denominated in American dollars." and (section 5.5.1c) "Accounts Payable must notify Treasury when a wire transfer is requested." This wording implies that Accounts Payable must notify Treasury of all wire transfers of any dollar value. However, Treasury's expectation (communicated verbally during the audit fieldwork) is that Accounts Payable are only required to notify Treasury of wire transfers greater than $500,000 CAD and of wire transfers in USD or other foreign currencies. Accounts Payable are not expected to notify Treasury regarding wire transfers of less than $500,000 CAD.

Clear communication of expectations regarding notification of cash flow will support Treasury in generating an accurate cash flow forecast, enhancing the quality of information used for investment decision making.

Recommendation 3

Manager, Treasury, to request that Accounts Payable update the relevant sections of the Corporate Accounts Payable Procedures to accurately communicate Treasury expectations of notification of outgoing payments.

Management Response

Agreed.

Action Plan	Responsibility
Treasury will engage Accounts Payable to correct section 5.5.1.c of the Accounts Payable supporting procedure for Wire Transfers. Accounts Payable will update document, obtain sign off, and upload corrected document to the online database.	Lead: Treasury Operation & Risk Lead Support: Accounts Payable Commitment Date: December 31, 2018

4.4 Cash Flow Forecast Reconciliation Variances

Treasury has not defined what constitutes a significant variance between actual and forecast cash flow.

GFOA best practice recommendation is that organizations should establish a set tolerance for variance at organizational level as per best practice (see Appendix B, #7). Current City practice is that the Securities Accountant verbally follows up with relevant Business Unit contacts if they feel that a large variance is unexplained. There is no formal definition of what dollar value or type of variance between forecast and actual cash flow is significant, and variance explanations are not documented.

Defining a level of significance for variances, alongside setting up a more formal process of two way communication between Treasury and key Business Units regarding variance explanations, will assist in supporting Treasury in generating accurate cash flow forecasts by establishing accountability for accuracy of information, and facilitate integration of variance information into future forecasts.

Recommendation 4

Manager, Treasury, to define and communicate cash flow reconciliation variance tolerance levels, and establish a process to formally follow up on variances exceeding the defined tolerance.

Management Response

Agreed.

Action Plan	**Responsibility**
Treasury will identify tolerance levels for variance in the cash flow reconciliation. These tolerance levels will be expected to change as the business environment changes. In addition, how the variance is calculated may change as Treasury IT systems change. Treasury will establish who has the authority to change the variance tolerance. Treasury will create a process flow document outlining the steps in following up with variances exceeding the defined tolerance.	Lead: Treasury Operation & Risk Lead Commitment Date: June 30, 2019

Appendix A – Process Diagram

Process	Treasury/Cash Management
Process Area	Cash Management

Duty	Securities Accountant	Business Units	Application	Procedure Description
1. Examine previous historical cash flow	Start Examine historical cash flow and determine estimates for key cash flow item			1. On a annual basis**,** the **Securities Accountant,** reviews the historical cash flow and determines certain estimates for the key cash flow items for the year**.**
2. Obtain information on structured payments and receipts	Review information from BUs on structured payments and receipts and update the cash flow forecast	Provide Treasury with information on structured payments & receipts a year in advance. E.g. dividends, debt repayment, etc		2. The **Securities Accountant** also considers information from business units on inflows and outflows expected at certain dates throughout the year.
3. Receive information from Business Units on expected inflows	Review information received from BUs on expected inflows and update the cash flow forecast	Provide Treasury with information on incoming receipts with 1 month to 2 business days notice. E.g. Enmax receipts, grants, etc		3. Periodically, at least monthly, the **Securities Accountant,** receives information from BUs via email on receipts and expenditure expected and considers the information in preparing the cash flow forecast.
4. Receive information on planned expenditure	Review information from BUs on expected outflows and generate the payment for Cheque and EFT (Tues & Thurs) payments and update the cash flow forecast.	Provide Treasury with information on expected payments at least twice a weeks.	Finance Application	4. Every Tuesday and Thursday of each week, the **Securities Accountant** will run the check and EFT payment run on the Finance application to identify expected expenditure.
5. Receive and examine cash sweep report	Review information from bank cash report and identify actual inflows for previous day. In addition, review Treasury Application and identify stale checks and investment decisions Update cash flow forecast with information obtained from reviews		Treasury Application	5. At the beginning of each day, the **Securities Accountant** will review the sweep balances from the bank report and adjust the projected cash flows with actual cash flows
6. Prepare/update cash flow forecast	Prepare/update cash flow forecast Stop			6. One a daily basis, the **Securities Accountant** will prepare an updated cash flow forecast based on the information gathered.

Appendix B – GFOA Best Practice Applicable in Canada (2012)

The following table compares the Government Finance Officers Association (GFOA) cash flow forecasting best practice recommendations (2012) to current City cash flow forecasting practices.

☑ Indicate that Calgary's current cash flow forecasting process meets or exceeds GFOA recommendations.

	GFOA Best Practice	Comparison to City Current Practice	
1	All operating departments should be involved in developing reasonable expectations of timing and amounts of planned expenditures. This ensures all possible outflows of resources are measured, and if needed, prioritized. Forecast time frames should accurately reflect the cash transactions of the organization.	☑	Relevant City Business Units provide information on likely cash flow timings and amounts.
2	The organization's goals should drive the prioritization of expenditures. Further, fixed items such as payroll, employee benefits, insurance, and debt service should have priority of cash demand over discretionary expenditures.		*N/A The City has not had to prioritize expenditure due to cash constraints in recent years.*
3	Historical data should be used to measure activity of a cyclical nature, both for receipts and disbursements. A well-established base of financial activity predicated on historical data enables the cash forecaster to anticipate disbursements and receipts. This activity should be verified by the operating department for its likely recurrence. Analytical software can be used to maintain historical data and provide an enhanced ability to forecast future liquidity needs. Analytical software can also enhance the organization's ability to perform statistical analysis to compare the forecast to actual activity. Dependent upon the use of the information, the 80-20 Rule can be used to maintain information and reduce gathering and maintenance efforts.	☑	The City's Treasury application used to complete cash flow forecasting incorporates analytical functionality – example: utilizing customer clearing history to predict when disbursements will be cashed by the customer.

	GFOA Best Practice	Comparison to City Current Practice	
4	A forecast for receipts should include expected inflows and investment maturities. Inflows include payments such as property taxes, utility payments, and user fees. Maturities include all items held in investments that will mature during the forecast time frame.	☑	Receipts forecast includes expected inflows and investment maturities.
5	A forecast for disbursements should include regular expenditures such as payroll and recognize non-repetitive expenditures. Historical data can assist in forecasting disbursements.	☑	Disbursements forecast includes regular and irregular items of expenditure.
6	Cash flow forecasts should be used to recognize the items and controls that influence the organization's cash position. Organizations should develop strategies to implement effective and efficient cash management techniques such as collecting receipts as soon as possible and managing disbursements judiciously.		*N/A The City utilizes techniques such as collecting cash receipts as soon as possible but has not in recent years been in a cash constrained position.*
7	Forecasts should be made conservatively. Fluctuations may occur in both receipts and disbursements for a variety of reasons. The level of precision required in a forecast or tolerance for variance should be determined at the organizational level and not on an ad hoc basis.		Forecasts are created based on information provided by Business Units. Acceptable levels of precision/variance have not been defined at an organizational level. (refer to Recommendation 4)
8	Forecasts should be updated on a regular basis, for example, monthly. The frequency of such updates is determined by the volatility of revenues and expenditures. Daily monitoring and recording of actual revenues and expenditures by major categories can greatly enhance the organization's ability to prepare timely updates to the cash flow forecast.	☑	Daily cash flow forecasts are completed.